



**Director of
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25X1

Contents

Grenada: Evacuation Continues	1
Israel-Syria-Lebanon: Terrorist Bombing	3
USSR-US-Lebanon-Syria: Warning to US	4
Iraq-Iran: Disrupting Iranian Imports	5

USSR: Hint at More Flexibility on INF	7
--	---

UK-US: Steel Proposal in Trouble	9
---	---

Czechoslovakia-USSR: Reaction to INF Countermeasures ..	11
--	----

South Korea-North Korea-Burma: Diplomatic Break	12
--	----

USSR-Seychelles: Soviet Ambassador Talks Tough	12
---	----

Australia: Uranium Mining Policy	13
---	----

Nigeria-Chad: Renewed Border Dispute	14
---	----

Denmark: New Anti-INF Resolution	14
---	----

Persian Gulf: Cooperation Council Summit	15
---	----

Special Analysis

NATO: Defense Budget Outlook	16
---	----

Top Secret

5 November 1983

25X1

25X1

Top Secret

25X1



Top Secret

5 November 1983

25X1

Top Secret

25X1

GRENADA: Evacuation Continues

Personnel from the Soviet and Libyan Embassies in Grenada were evacuated yesterday, and the Cuban detainees and personnel from the Cuban Embassy are expected to leave over the weekend. [redacted]

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A group of 126 persons—49 Soviets, 15 North Koreans, six East Germans, three Bulgarians, and 53 Cubans who were in the Soviet Embassy—flew to Merida, Mexico. In addition, 17 officials and dependents from the Libyan Embassy left for Barbados, where they were to take a commercial flight for Libya. The departure of the Soviet Embassy personnel was delayed five hours when US officials discovered that they were trying to smuggle automatic weapons and ammunition aboard. [redacted]

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The first airlift of 57 Cuban sick and wounded and 10 medical personnel arrived in Havana on Wednesday. [redacted]

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There were still 586 Cuban detainees on Grenada on Friday in addition to 40 diplomats in the Cuban Embassy. Information on the number of Cuban dead is not available. [redacted]

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The evacuation of some 100 able-bodied Cubans to Barbados, where they will be transferred to a Cubana airliner for travel to Cuba, was scheduled for yesterday. Beginning today, one or two Cubana Airlines flights a day are scheduled, to carry 100 to 150 Cubans on each flight. [redacted]

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Comment: If the evacuation flights scheduled for this weekend take place, most if not all of the Cubans remaining on Grenada should be repatriated. Presumably, the 40 diplomats in the Cuban Embassy will depart after all of the Cuban detainees have left. [redacted]

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An accounting of the Cuban dead and return of the bodies could become a problem for Havana, however, and cause the Cuban diplomatic staff to delay their departure. With the last of the evacuees safely in Cuba, the Castro regime is expected to hold a massive welcoming ceremony and launch a virulent propaganda campaign against the US operation in Grenada.

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ISRAEL-SYRIA-LEBANON: Terrorist Bombing

Israel believes Shia extremists—possibly backed by Syria and Iran—are responsible for the truck bomb that destroyed the Israeli military headquarters building in Tyre yesterday, according to the US defense attache. [redacted]

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The press reports the attack was carried out by the “Islamic Jihad,” which has claimed responsibility for the Beirut bombings. An Israeli Army spokesman said 39 were killed and 32 wounded. Ten of the dead and three of the injured were local Arabs under detention.

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Israeli warplanes quickly retaliated with airstrikes against Palestinian targets around Al Mansuriyah and Bhamdun. [redacted]

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Comment: Israel has stated consistently that it holds Syria responsible for attacks on Israeli forces in Lebanon. Israeli aircraft probably struck some Syrian as well as Palestinian positions to underscore that point for Damascus. [redacted]

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“Islamic Jihad” is a name of convenience used by a number of Lebanese groups, including Islamic Amal and the Musawi family—the groups that probably were responsible for the Beirut bombings. [redacted]

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USSR-US-LEBANON-SYRIA: Warning to US

Moscow's warning to the US against military action in Lebanon in an official TASS statement yesterday appears designed to reassure Syria of Soviet support without committing the USSR to a particular response. []

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The statement claims that remarks by the President and the Secretaries of State and Defense indicate the US is planning a large-scale military operation against "patriotic forces" in Lebanon. It asserts that these alleged plans, plus the US action in Grenada, prove that the US has elevated international terrorism to the level of state policy. The statement concludes by noting that the "leading circles" of the USSR warn the US "with all seriousness" that US military action in Lebanon would have "grave consequences." []

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Syrian media began claiming last week that the US and Israel are preparing a strike against Syrian targets. Meanwhile, TASS announced yesterday that Syrian Foreign Minister Khaddam will visit Moscow during the first half of November. []

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Comment: The statement puts Soviet opposition to any US military action in Lebanon on record, but Moscow probably does not expect an effect on Washington's calculations. The Soviets failed to threaten specific countermeasures and did not say that their vital interests are at stake. A TASS "statement" indicates a higher-level sanction than regular media commentary but carries less weight than a government statement. []

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The Soviet statement is unlikely to impress Damascus. It follows similar Syrian claims by more than a week, and it refers only to US preparations to hit Lebanese, not Syrian, forces. Moscow displayed the same caution about taking a public stand on US-Syrian frictions during the fighting in and around Beirut in September. []

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Khaddam probably will brief the Soviets on the Lebanese reconciliation talks in Geneva, which the TASS statement ignored. He may attempt to smooth over any differences with Moscow over Syria's dispute with PLO leader Arafat. []

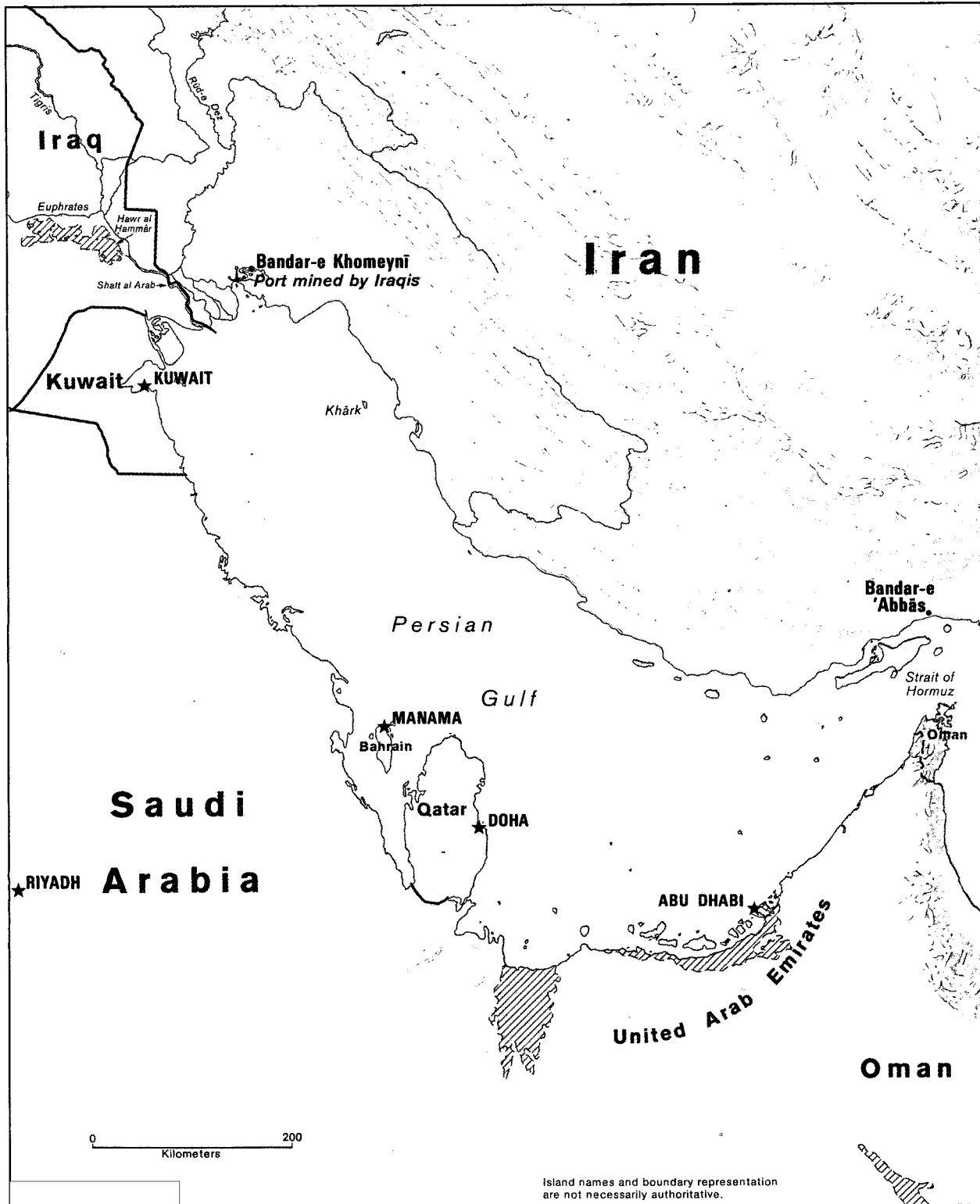
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5 November 1983

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IRAQ-IRAN: Disrupting Iranian Imports

Recent Iraqi air attacks against merchant shipping in the Persian Gulf, and apparently the mining of the entrance to the Iranian port of Bandar-e Khomeyni, will increase congestion in other Iranian ports.

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Various sources report that a recent increase in traffic at other Iranian ports has created offloading delays of 30 to 40 days. Large backlogs of undelivered goods exist at all land and sea ports of entry.

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Comment: The Iraqis are likely to continue to increase their military pressure on Iran in the Gulf but probably will not be able to keep Bandar-e Khomeyni closed with only mines. Sustained air attacks on merchant shipping, however, could significantly reduce traffic.

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Bandar-e Khomeyni, which now handles about 20 percent of Iran's imports, remains the country's only port with a functioning railhead, and all other import avenues are currently taxed to their limits. Military imports are already being given priority at Bandar-e Abbas—now the largest volume port—and the Iranians might have great difficulty establishing an alternate route for food currently being imported via Bandar-e Khomeyni.

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USSR: Hint at More Flexibility on INF

The chief Soviet INF negotiator hinted this week that Moscow might be more flexible if the US offered certain new proposals, but he stressed he was not authorized to offer new Soviet proposals.

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Soviet Ambassador Kvitsinskiy said privately that, if the US would propose an "equal reductions scheme," Moscow might reduce its SS-20 force to 120 launchers in the western USSR and could consider compensation for future increases in French and British systems in future negotiations. He said, however, that Moscow would not agree to any US INF deployment and would not offer to reduce the SS-20 force to 54—a figure that would equate to current British and French warheads—because of opposition in the Soviet military.

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In addition, Kvitsinskiy provided details on that part of the offer made by General Secretary Andropov on 27 October that dealt with aircraft. He suggested an aggregate total of 300 to 400 aircraft and a willingness to exclude US F-4s, F-16s, FB-111s, and some carrier-based aircraft, as well as the European Tornado.

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Comment: Kvitsinskiy's hint of further Soviet flexibility appears designed to force the US to choose among three alternatives:

- Reject the latest Andropov offer, which could be used to justify a Soviet walkout in Geneva before 22 November.
- Accept the Soviet approach in the talks, which would accommodate Moscow's basic goals of preventing US INF deployment and securing compensation for current British and French missiles and warheads.
- Postpone deployment while negotiations proceed.

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The Soviet negotiator first broached the SS-20 figure of 120 and deferral of the British and French modernization issue privately on 26 October. That was the same day he presented the proposal by Andropov to reduce the SS-20 force in the western USSR to approximately 140.

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Kvitsinskiy, by ruling out reductions to 54 SS-20 launchers and suggesting 120, may have been attempting to elicit from the US a figure within that range that might be negotiable as long as NATO does not deploy. The suggested deferral of the British and French modernization issue appears designed to get US recognition in the present talks of the Soviet right to compensation. The Soviet negotiator's comments on aircraft probably were intended to probe the extent of US professed flexibility on this issue.

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UK-US: Steel Proposal in Trouble

The apparent failure of a joint UK-US steel venture probably has increased British opposition to US trade restrictions. [redacted]

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British Steel Corporation and a major US steel firm had proposed an agreement under which Scotland's largest steel mill would have shipped 3 million tons of semifinished steel per year to a plant in the US for further processing. The agreement would have almost doubled European steel exports to the US. The British firm also was to contribute \$620 million to modernize the US facility. [redacted]

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Government and union leaders on both sides of the Atlantic opposed the plan from its inception. British Steel Corporation saw the arrangement as a way to avoid closing the plant and to circumvent restrictions on steel exports to the US. British steel unions opposed the plan because the plant's work force still would have been cut in half. [redacted]

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Recent major gains in productivity and new steel contracts made the deal far less attractive to the British. London had second thoughts about the expense of improving the US plant. In addition, the British have expressed anger over what they claim were hints by US officials that antidumping or antisubsidy duties would be levied on the imported steel. [redacted]

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Comment: British leaders apparently believe these alleged threats cast doubt on US commitments at the Williamsburg Summit to reduce protectionism. The heightened tensions that have resulted could hurt current negotiations on specialty steel. [redacted]

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CZECHOSLOVAKIA-USSR: Reaction to INF Countermeasures

The announcement by Czechoslovakia that it will accept Soviet missiles as a countermeasure to INF has prompted "lively discussions" among the population, according to Radio Prague.

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[redacted] Senior

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Czechoslovak officials have told visitors the population is neither eager nor ready to have new Soviet missiles on Czechoslovak soil.

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Comment: The announcement will heighten anti-Soviet feelings and public disaffection with the regime, but the government will not back down and will quickly quell any overt protest.

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SOUTH KOREA-NORTH KOREA-BURMA: Diplomatic Break

Seoul will use Burma's severing of ties with North Korea to encourage international condemnation of North Korea and to persuade other countries to follow Burma's lead. The South Korean Government welcomed Burma's decision, which followed the official Burmese investigation report blaming North Korea for the bombing in Rangoon that killed 17 South Korean officials last month. Japanese Foreign Minister Abe stated yesterday that Tokyo will take a "severe" position toward North Korea and endorsed condemnation of P'yongyang. North Korea, reacting with unusual speed, has deplored Burma's action in a Foreign Ministry statement and reiterated its charge that South Korean President Chun Doo Hwan was responsible for the bombing. []

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Comment: P'yongyang's ties are mostly with Communist and Third World countries, only a small number of which seem likely to take serious diplomatic action against the North. Some countries may be more disposed toward applying informal trade and travel restrictions. Chun may come under renewed pressure from hardliners to retaliate militarily against the North. Seoul, however, remains sensitive to the need not to do anything that could affect President Reagan's visit next week or to damage its own international standing. []

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USSR-SEYCHELLES: Soviet Ambassador Talks Tough

The Soviet Ambassador to the Seychelles reportedly told his Swedish counterpart that the USSR is ready to do "exactly what the US has done in Grenada" in the Seychelles if the government of President Rene is threatened. According to the US Embassy, the Soviet diplomat said Moscow was prepared to do everything necessary, including landing troops. []

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Comment: The Soviet Ambassador may intend his remarks to be repeated, thereby reinforcing opinion in the Seychelles that the USSR is Rene's primary backer. The Soviet diplomat has developed his position through extensive personal contacts with Rene. As a result, he has been fairly effective in convincing the President that the USSR can help protect him from internal or external opponents. At Rene's request, a Soviet landing ship with naval infantry visited Victoria harbor last month while Rene attended the summit of French-speaking nations in Paris. []

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Australia's Uranium Mines**Top Secret**

5 November 1983

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AUSTRALIA: Uranium Mining Policy

A defeat for Prime Minister Hawke in the Labor Party caucus vote next week on the government's uranium mining policy would encourage more challenges by party leftists on other issues, including Australia's security ties to the US. The government on Tuesday announced plans to develop a large new uranium mine and to cancel other planned mines. Canberra also announced a suspension of uranium exports from existing mines, except for two contracts already signed with US utilities, pending completion of a government study on controls over the ultimate use of the exported uranium.

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Comment: Hawke faces a close vote, and party leaders close to him are not optimistic he will win. The policy not only upsets local political leaders in areas where new mines had been planned but is at variance with the party platform that calls for a phaseout of uranium mining. Although Australia has the largest recoverable uranium reserves in the non-Communist world, opposition to uranium mining—not only from the Labor left wing—is widespread.

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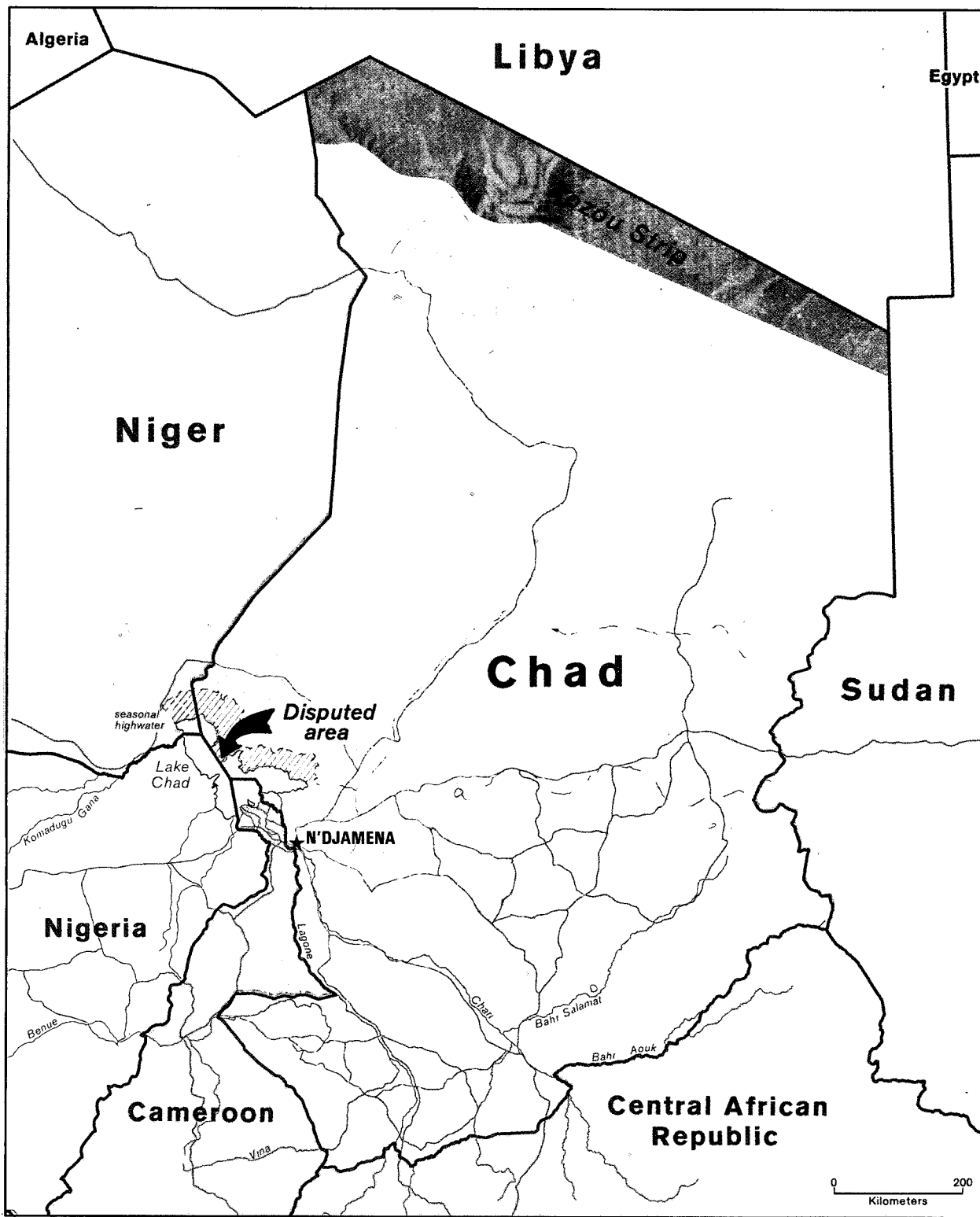
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5 November 1983

25X1

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NIGERIA-CHAD: Renewed Border Dispute

Nigeria claims Chad has reoccupied disputed islands in Lake Chad and has asked the US to persuade President Habre to withdraw his forces. Each side has been charging that the other is violating a settlement reached following clashes in the area last spring. A senior Nigerian Foreign Ministry official has told the US Embassy that the current dispute has a "short fuse" and that President Shagari will come under considerable pressure from the military to respond firmly if a diplomatic solution cannot be found. Habre, while categorically denying to US and French officials that any Chadian movements have occurred, has promised to send a high-level mission to Lagos this weekend to sort the matter out. [REDACTED]

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Comment: Habre is already militarily preoccupied at home on two fronts and has nothing to gain from a new confrontation. Nigeria at present does not appear to be moving troops to the area, but Shagari will not want to appear to vacillate, to bow to outside pressure, or to ignore those military officers who were upset about the government's slow response to the dispute over the islands last spring. Although renewed fighting probably would dash any Nigerian hopes of playing a mediator role in Chad's internal conflict, domestic considerations may persuade Shagari to take action soon if diplomacy fails. [REDACTED]

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DENMARK: New Anti-INF Resolution

The Danish parliament on Thursday approved a second motion sponsored by the opposition Social Democrats calling for a delay in INF deployment. The motion is nearly identical to one passed in May, calling again on the government to try to secure reappraisal by NATO of Alliance arms control policy before deployment begins. The pro-NATO center-right government of Prime Minister Schlueter abstained and did not call for a vote of confidence. [REDACTED]

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Comment: It is unlikely that Denmark will succeed in convening a special NATO ministerial, since most Alliance members would not support such a move and the regular meetings are already set for early next month. Nevertheless, in the regular meetings the government probably will attempt to explain the parliament's decision without adopting it as government policy. The handling of both motions—in a manner presumably worked out by Schlueter and Social Democratic leader Joergensen—indicates that neither of the parties wants to force an early election. [REDACTED]

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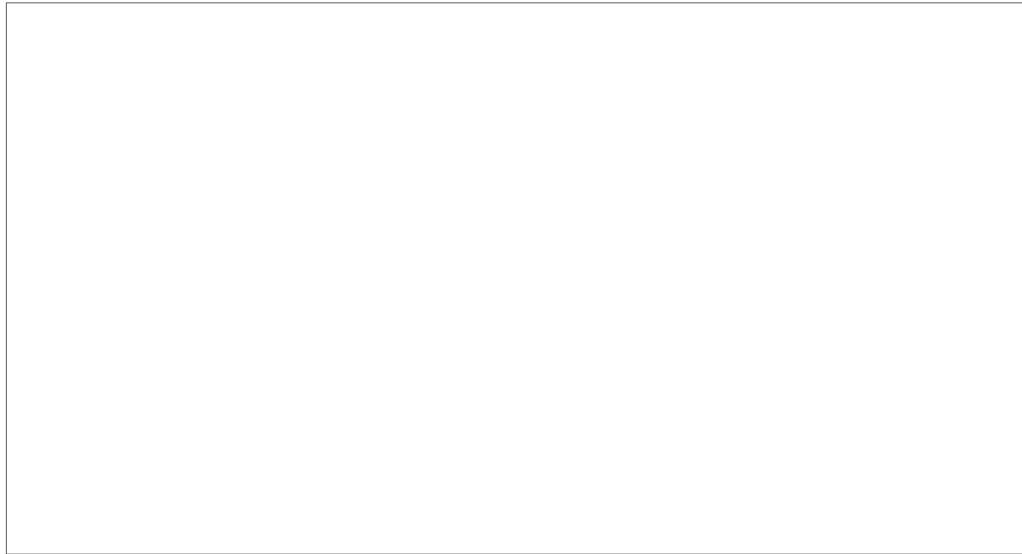
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**PERSIAN GULF: Cooperation Council Summit**

The rulers of the Gulf Cooperation Council states—Saudi Arabia, Kuwait, Bahrain, Qatar, Oman, and the UAE—will focus on security issues during their three-day annual summit that begins on Monday in Qatar. According to US Embassies in the area, the leaders will discuss the Iran-Iraq war, the Lebanese situation, the resumption of diplomatic relations between Oman and South Yemen, and the military exercises recently held by the Council states. The UAE reportedly intends to offer a plan to end the war.

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Comment: The Council has made modest progress on economic integration and joint military planning, but efforts to calm regional tensions have produced little. The UAE's peace plan appears to contain no new proposals, and there is no sign that Iran is willing to negotiate. The rulers will issue statements deploring the current splits in Arab ranks, but they are likely to avoid either public support for PLO chief Arafat or a position on the Lebanese reconciliation talks. They probably will not handle other contentious issues, including restoration of ties with Egypt—opposed by Syria and not yet endorsed by Saudi Arabia—and ratification of a draft security agreement.

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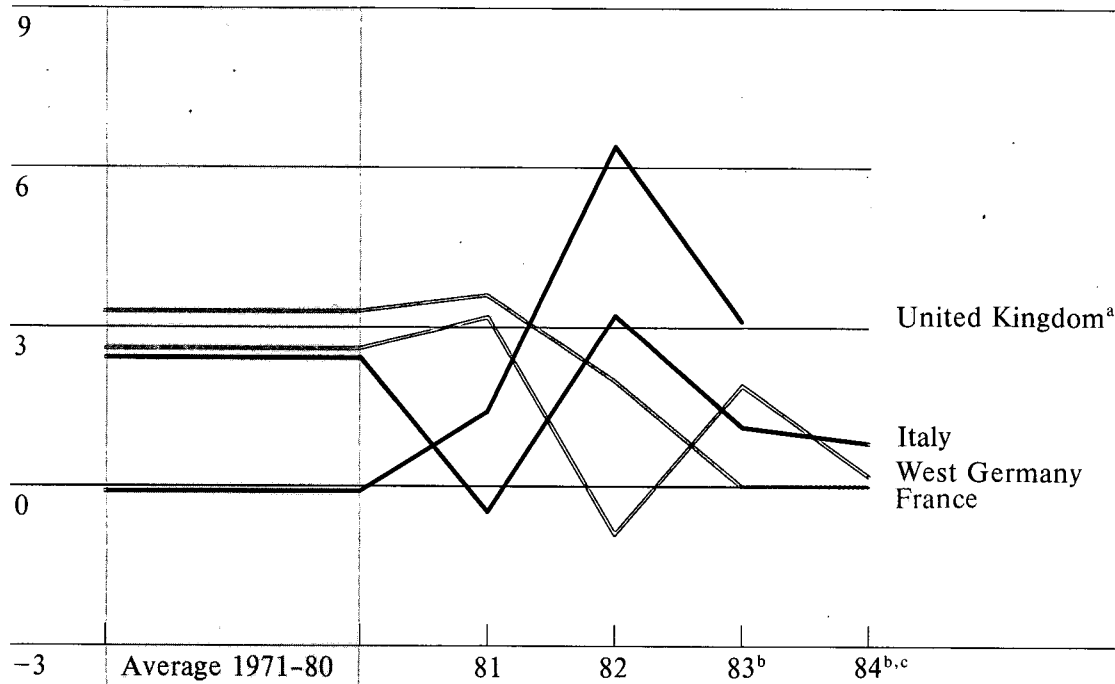
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Real Growth in Defense Expenditures

Percent growth

^aFiscal year: April-March.^bEstimate.^cForecast.

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Real Growth in Defense Expenditures

(percent)

	1971-80 ^a	1981	1982	1983 ^b	1984 ^{b, c}
Belgium	4.7	0.9	-3.3	-3.0	-0.4
Canada ^d	0.6	3.1	4.9	5.0	5.8
Denmark	1.3	0.4	-0.3	-0.2	0.4
France	3.3	3.6	2.0	0.0	0.0
Greece	6.5	20.7	0.9	-0.2	-0.5
Italy	2.4	-0.5	3.2	1.1	0.8
Luxembourg	6.8	4.8	3.9	3.5	3.1
Netherlands	1.1	3.3	1.8	2.0	2.0
Norway	1.4	2.7	4.2	2.8	3.5
Portugal	-1.1	1.5	0.7	1.7	NA
Turkey	11.3	2.0	4.6	1.9	1.0
UK ^d	-0.1	1.4	6.4	3.1	NA
West Germany	2.6	3.2	-0.9	1.9	0.2

^a Average. ^c Forecast.^b Estimate. ^d Fiscal year: April-March.**Top Secret**

5 November 1983

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Special Analysis

NATO: Defense Budget Outlook

Real growth in defense spending for NATO will have dipped by the end of 1983 to its lowest level since the Alliance established the goal of 3-percent real annual increases in 1978. Only Luxembourg, the UK, Norway, and Canada have a chance of meeting the target. Moreover, budget proposals and long-term defense programs for most of the Allies indicate that there will be little or no growth over the next several years. Defense spending constraints thus far have had the greatest effect on day-to-day operations, including maintenance and training. Some procurement programs have already been stretched out or postponed, however, and most other programs may soon be affected.

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The Allies have been trying to limit their largest budget deficits in over 30 years. Opinion polls reflect strong popular support for cuts in defense spending, and the Allies are finding it politically difficult to increase defense budgets when they are curtailing social programs. Nonetheless, most countries have been able to increase military spending at rates slightly above those of the overall budgets.

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These small real increases, however, have not been enough to modernize the military fully, or even to maintain current forces. Deep cutbacks in day-to-day operations and maintenance as well as training have begun to affect force readiness and combat proficiency.

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Although these reductions have saved many major procurement programs, most countries still have had to delay or stretch out some purchases. If the trend of low or no growth continues, more modernization programs will have to be delayed and eventually cut.

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The Big Four

France, Italy, West Germany, and the UK, which account for some 80 percent of non-US NATO defense spending, already have indicated that real growth will be limited for several years. The UK accomplished a 6.4-percent real increase in its defense budget for 1982/83 but chiefly because of spending for the conflict in the Falkland Islands.

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Although the Ministry of Defense had planned on a 4-percent growth for 1983/84, the defense budget was trimmed by some \$400 million the day after it was announced. The new spending level still allows slightly more than 3-percent growth, but the budget will remain under intense pressure from the Treasury for further cuts. []

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The West Germans project a defense spending growth rate for 1984 nearly double that of the rest of the budget, but real growth will be only about 0.2 percent. According to their reporting to NATO, West German defense expenditures will continue to grow only slightly through at least 1987. Nevertheless, by placing severe restrictions on salaries and operations and maintenance spending, the West Germans have been able to maintain most of their major procurement programs. []

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The French defense plan for 1984 to 1988 also shows little or no real growth in spending. The plan assumes inflation of 6.2 percent in 1984 and an average of 5 percent for the rest of the period—although inflation this year is expected to average about 9.5 percent. Because funding shortfalls are likely, French leaders probably will cut back conventional forces further in order to continue the modernization of nuclear forces. []

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Italy averaged 2.5-percent real growth between 1978 and 1982, but, under current plans, this will drop to 1.1 percent in 1983 and 0.8 percent in 1984. Moreover, the press is reporting that the government is considering a further cut in the 1984 defense budget of about 8 percent—some \$780 million. The decline in spending is likely to delay much-needed force improvements and may force a further reduction in personnel and training. []

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Other Allies

Canada plans to increase its defense budget by at least 3 percent each year indefinitely. Most of this growth will fund procurement programs that subsidize ailing domestic industries. The cost of the six frigates being built in Canada is double to triple the expense of building them elsewhere. []

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The Dutch have stated that they are now planning for only 2-percent real growth over the next several years. A large amount of the defense budget will be tied up, moreover, in government support for a failing shipyard. []

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Norway continues to plan for 3.5-percent real growth over the next several years, according to its reporting to NATO, even though only 2.8 percent has been attained in 1983. The Norwegians regularly have underestimated inflation and fallen short of their defense spending goals, requiring last-minute adjustments. []

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The Norwegians recently have had to cancel a number of training exercises and retire ships earlier than planned to save funds. They admit that, even if they attain projected growth rates, their overall military effectiveness will decline over the next five years. []

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Opposition parties in Denmark broke a multiparty agreement to increase defense spending by 1.5 percent in real terms and forced the center-right government to cut defense spending for 1983. Even the original goal would not have reversed the steady deterioration of Danish forces. []

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Belgium faces its third consecutive year of real declines in defense spending that have forced drastic cuts in training and operations. Brussels may next have to close bases and cancel all but the most important procurement programs. []

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Portugal and Turkey will achieve little real growth for the rest of the decade, and Greek defense spending is likely to decline in real terms for the next several years. All three countries are dependent on military assistance from other Allies to maintain and improve their forces. []

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Outlook

The defense budget outlook this year is the bleakest in over a decade. Even as economies recover from the recession, budget deficits are likely to persist because of high unemployment and slow economic growth. []

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General austerity measures will force strict limits on defense budgets. Significant increases in defense spending will not be politically acceptable in most West European countries if they cause further cuts in social welfare programs. []

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The Allies will begin to face real force readiness problems if they make further reductions in training and operations. The unpalatable alternative will be to delay—or even cancel—force modernization plans. []

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